

## Message Text

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72

ACTION ARA-20

INFO OCT-01 EA-11 NEA-10 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

ACDA-19 AGR-20 IO-14 FRB-02 XMB-07 OPIC-12 LAB-06

SIL-01 TAR-02 PA-04 USIA-15 PRS-01 DRC-01 /273 W

----- 118356

R 302145Z APR 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 5348

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY TOKYO

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E.O. 11652 NA

TAGS: ENGR; SA; ES

SUBJ: PROPOSED NET EXPORT OIL REFINERY AT ACAJUTLA, EL SALVADOR

REF: SAN SALVADOR 3997, OCT 1973 (NOTAL) AND PREVIOUS

1. AFTER A FIVE MONTH HIATUS, REPS OF J.A. CLEMENTS  
ARRIVED IN EL SALVADOR 23 APRIL AND REVIVED DISCUSSION OF  
THEIR PROPOSAL TO INSTALL A \$363 MILLION 250,000 BARREL PER  
DAY NET EXPORT PETROLEUM REFINERY AT ACAJUTLA, EL SALVADOR.  
THIS RENEWAL OF ACTIVITY REPORTEDLY IS THE RESULT OF SAUDI  
ARABIAN REINITIATION OF DISCUSSIONS SUSPENDED IN LONDON IN  
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DECEMBER. ACCORDING TO B.F. CLIFTON AND G.R. "PINKY" ADKINS

OF THE CLEMENTS GROUP, THE REFINERY WOULD EXCLUSIVELY PROCESS TRASH CRUDES FROM RAS TANURA, SAUDI ARABIA, TURNING IT INTO NAPHTHA, LOW SULFUR FUELS AND BUNKER C. FOR SALE PRIMARILY TO PACIFIC LIGHTING OF CALIFORNIA (PACIFIC GAS AND ELECTRIC?) A PRE-ENGINEERING AND PRE-FEASIBILITY STUDY BY FLUOR CORPS. SHOWED THE PROJECT TO BE EMINENTLY FEASIBLE.

2. ACCORDING TO CLEMENTS PARTNERS CLIFTON AND ADKINS, THE REFINERY WILL BE PRIMARILY FINANCED BY SAUDI ARABIAN FUNDS (\$300M. PLUS) WITH SOME PARTICIPATION FROM JAPAN AND THE US (ALTHOUGH SAUDI PARTICIPATION IS CONDITIONED ON THE EXCLUSION OF BOTH JAPAN (AND EL SALVADOR) AS ALTERNATE MARKETS FOR END PRODUCTS-A CHANGE FROM EARLIER PLANS MADE BY CLEMENTS). CLEMENTS IS MERELY WORKING AS PROMOTER-ORGANIZER FOR A FEE. EL SALVADOR WILL RECEIVE 5 CENTS PER BARREL FOR THE FIRST FIVE YEARS AS ROYALITIES AND 1 PERCENT OF CRUDE PRICES F.O.B. RAS TANURA THEREAFTER (AN EST. \$4.2M. PER YEAR MINIMUM). DIRECT IMPACT WOULD ALSO INCLUDE EMPLOYEMENT OF UP TO 5,000 DURING CONSTRUCTION AND A REGULAR WORK FORCE OF ABOUT 700 ONCE THE REFINERY IS IN OPERATION. CRUDE WILL BE SHIPPED IN SAUDI OWNED 250-375,000 DWT TANKERS VIA THE STRAITS OF MALACCA TO EL SALVADOR AND FINISHED PRODUCTS BY SMALLER TANKER TO THE WEST COAST OF THE US.

3. THE CLEMENTS GROUP HAS EXCELLENT CONTACT IN EL SALVADOR WITH FORMIN BORGONOVO AND APPARENTLY HAS FULL APPROVAL OF THE PROJECT FROM THE GOES. CLIFTON AND ADKINS EXPECT TO SEE FONMIN BORGONOVO IN U.S. APRIL 29 OR 30 AND THEN GO ON TO JIDDA. ACTIVITIES IN EL SALVADOR ARE COVERED BY A RECENTLY INCORPORATED COMPANY, THE SALVADOR-AMERICAN CORPS, OR SALAAM, S.A.

4. DURING A CALL ON AMBASSADOR CAMPBELL 24 APRIL MESSRS. CLIFTON AND ADKINS DESCRIBED THE PROJECT IN SOME DETAIL. THE AMBASSADOR ASKED FOR STRONG REASSURANCES THAT THE REFINERY PROJECT IS BASED ON AN ASSURED CRUDE SUPPLY, WILL NOT ADVERSELY AFFECT THE SALVADORAN ECONOMY AND IS VIABLE DESPITE UNFORESEEABLE CHANGES ON CRUDE PRICES AND END USER MARKET CONDITIONS. THE AMBASSADOR POINTED OUT THAT THE EMBASSY CAN SUPPORT US BUSINESS ONLY ON PROJECTS WHICH ARE BOTH BENEFICIAL TO US BUSINESS AND NOT INJURIOUS OF GOOD BILATERAL RELATIONS. CLIFTON AND ADKINS ASSURED LIMITED OFFICIAL USE

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THE AMBASSADOR THAT THESE CONSIDERATIONS ARE BEING CAREFULLY STUDIED AND AGREED THAT THE PROJECT, ALTHOUGH NOT FAIL-SAFE, BECOMES MORE LIKELY OF SUCCESS IN PROPORTION TO SAUDI PARTICIPATION.

5. IN SEPARATE CONVERSATIONS CLIFTON AND ADKINS STATED THEY ARE SHORTLY (MAY 14) TO VISIT RIYAD AND JIDDA WHERE THEY WILL CALL ON AMBASSADOR AKINS. THIS MEETING WITH SAUDI PRINCIPALS WILL DETERMINE WHETHER OR NOT SAUDI ARABIA WILL PARTICIPATE AND

IN EFFECT, WHETHER OR NOT THE PROJECT WILL GO FORWARD. CLEMENTS  
ALREADY HAS AN OPTION ON A REFINERY SITE AT ACAJUTLA AND, IF  
THE SAUDI DECISION IS FAVORABLE, ENGINEERING AND DESIGN STUDIES  
WILL PROCEED AND SITE PREPARATION SHOULD BEGIN IN 6-9 MONTHS.  
THEY ALSO INSISTED THAT THIS PROJECT IS TOTALLY INDEPENDENT  
FROM THOSE BEING DISCUSSED ELSEWHERE IN CENTRAL AMERICA (I.E.  
THE VENEZUELAN MIXED REFINERY AND PIPELINE IN COSTA RICA AND  
REPORTED JAPANESE RESURRECTION OF MONKEY POINT AND A RELATED  
PIPELINE PROJECT IN NICARAGUA.)

CAMPBELL

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONSTRUCTION, PETROLEUM, REFINERIES, NEGOTIATIONS, PROGRAMS (PROJECTS)  
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**Copy:** SINGLE  
**Draft Date:** 30 APR 1974  
**Decapton Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** BoyleJA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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